

Message Text

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63

ACTION ARA-10

INFO OCT-01 ISO-00 AF-04 EA-06 EUR-08 NEA-06 RSC-01 SP-02

AID-05 EB-04 NSC-05 CIEP-01 TRSE-00 SS-15 STR-01

OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-05 NSAE-00

XMB-02 OPIC-06 LAB-01 SIL-01 DODE-00 PM-03 H-01 L-01

PA-01 PRS-01 USIA-06 IO-04 FEA-01 INT-05 SCI-02 DRC-01

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R 151708Z OCT 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4767

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY LA PAZ

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E.O. 11652: N/A

TAGS: EMIN, BL, UK

SUBJ: TIN: MARKET CONSIDERATIONS ON THE EVE OF ITC

MEETING, VIEW FROM LONDON

REF: LA PAZ 6619

1. ON THE EVE OF THE INTERNATIONAL TIN COUNCIL (ITC) MEETING IN KUALA LUMPUR, OCTOBER 27-NOVEMBER 5, TIN PRICES ON THE LONDON METAL EXCHANGE (LME) ARE SHOWING SOME, PROBABLY TEMPORARY, WEAKNESS. PRICES FELL BELOW 3,000 POUNDS STERLING PER TON ON THE LME ON OCT. 14 FOR THE FIRST TIME SINCE JANUARY, TO REACH A LOW FOR THE DAY OF 2,975 POUNDS STERLING. AT THE SAME TIME, ON THE MALAYSIAN MARKET, WHICH DETERMINES ITC BUFFER STOCK OPERATIONS, THE PRICE DROPPED TO MALAYSIAN DOLLARS 935 (M\$) PER PICUL--I.E., JUST WITHIN THE PRICE

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RANGE (M\$940-850 PER PICUL) IN WHICH THE ITC BUFFER

STOCK MERGER MAY OPERATE. WHETHER OR NOT MR. ADNAN, THE BUFFER STOCK OPERATOR, ACTUALLY ENTERED THE MARKET, OF COURSE, IS UNKNOWN AND WILL REMAIN SECRET UNTIL HE ISSUES HIS REPORT. IN ANY CASE, ADNAN TOLD THE EMBASSY THAT THE MALAYSIAN MARKET STRENGTHENED TO M\$940.8 OCT. 15, I.E., OUTSIDE HIS DISCRETIONARY PURCHASE RANGE.

2. ADNAN BELIEVES THE CURRENT MARKET WEAKNESS IS TEMPORARY, DUE TO WORLDWIDE LIQUIDITY PROBLEMS AND PSYCHOLOGICAL FACTORS. ON SEPTEMBER 24 THE ITC ESTIMATED THE 1974 WORLD DEFICIT AT 31,200 TONS (METAL TO METAL BASIS) AND FIRST QUARTER 1975 PROJECTIONS SHOW A CONTINUATION OF THE DEFICIT SITUATION.

3. CONCERNING TIN EXPORT CONTROLS, ADNAN BELIEVES THAT THIS MECHANISM WILL NOT REPEAT NOT BE A MAJOR CONCERN OF THE ITC MEETINGS. HE OBSERVED THAT CONTROLS ARE AGAINST THE SPIRIT OF THE ITC, AND WOULD CERTAINLY NOT BE INDICATED IF THE LONG-TERM MARKET PROSPECT IS ONE OF TIGHTNESS RATHER THAN SURPLUS, AS HE THINKS. OF COURSE, ANY PRODUCER MAY INITIALLY IMPOSE EXPORT CONTROLS, BUT INsofar AS THE ITC IS CONCERNED, UNDER THE PRESENT AGREEMENT EXPORT CONTROLS WOULD NOT BE POSSIBLE UNTIL THE ITC HAD REPLENISHED ITS BUFFER STOCK (ARTICLE 33 (E)). THIS MEANS THAT ADNAN WOULD HAVE TO PURCHASE ALMOST 10,000 METRIC TONS (ASSUMING HE MADE NO PURCHASES ON OCT. 14) BEFORE EXPORT CONTROLS COULD BE TRIED. THE ITC'S BUFFER STOCK ON JUNE 30, 1974 AMOUNTED TO ONLY 142 METRIC TONS.

ANNENBERG

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TIN, MEETINGS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 15 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON13382
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740293-0279
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741047/aaaabnva.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: LA PAZ 6619
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2002 by martinml>; APPROVED <18 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TIN: MARKET CONSIDERATIONS ON THE EVE OF ITC MEETING, VIEW FROM LONDON
TAGS: EMIN, BL, UK, ITC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005